

Message Text

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TO USMISSION OECD PARIS

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FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT KINGSTON 3647 ACTION SECSATE 16 SEPT

QUOTE

LIMITED OFFICIAL USE KINGSTON 3647

EO 11652: N/A

TAGS: EMIN, JM

SUBJECT: BAUXITE: GOJ/ALCOA PRELIMINARY CONVERSATIONS

REF: KINGSTON 3559

1. SUMMARY: ALCOA GENERAL MANAGER CROUCH TOLD AMBASSADOR THAT PRELIMINARY CONVERSATIONS WITH GOJ NEGOTIATOR ROUSSEAU INDICATED THERE WERE NO MAJOR UNRESOLVABLE DIFFERENCES BETWEEN ALCOA AND GOJ. ACCORDING CROUCH, WHILE ALCOA WAS PRIMARILY INTERESTED IN "PROFITS, COSTS AND CUSTOMERS" WHILE GOJ INTERESTED IN "TAXES, WAGES AND VOTES" THERE WERE NO OBSTACLES TO AN AGREEMENT. ALTHOUGH CONVERSATIONS WERE TERMINATED WITHOUT A SPECIFIC DATE FOR THEIR RESUMPTION, GOJ EXPECTED TO SUBMIT MEMORANDUM OF SIX CONTRACT POINTS FOR ALCOA'S CONSIDERATION. END SUMMARY

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2. ROUSSEAU EXPRESSED INTEREST IN CALCULATIONS ON 300 THOUSAND TON INCREASE IN CAPACITY. JAMAICANS APPARENTLY HAVE 20 YEAR CONTRACT EFFECTIVE JANUARY 1, 1976, TO SUPPLY THIS AMOUNT OF ALUMIN (CROUCH SAID HE DID NOT KNOW WHO CUSTOMER

WAS). JAMAICANS ALSO NEGOTIATING TO SUPPLY 200,000 TONS TO IRAN BUT WERE GETTING COMPETITION FROM GUINEA AND ONE OR TWO OTHERS. ROUSSEAU SAID GOJ WAS DISAPPOINTED BY ALCOA'S LACK OF INTEREST IN JAMEX BUT WITH THAT HE REMAINED

CONFIDENT THAT PROJECT WOULD GO AHEAD (TOTAL COST FOR JAMEX NOW ESTIMATED \$300 MILLION).

3. ON LAND OWNERSHIP, ROUSSEAU SAID IT WAS EXTREMELY IMPORTANT TO GOJ; CROUCH SAW NO PROBLEM WITH THIS. LATTER SAID GOJ MIGHT WANT TO CONSIDER A TAX POLICY WHICH WOULD ENCOURAGE THE MINING OF LOW GRADE ORES. ON RESERVES, TERMS WOULD BE THE SAME AS FOR THE OTHER COMPANIES, I.E., 30 YEARS PLUS 10. ROUSSEAU SAID A SEPARATE MINING COMPANY WOULD BE SET UP FOR EACH U.S. COMPANY. GOJ WOULD REDUCE LEVY BY ONE-HALF PERCENT IF ADDITIONAL INVESTMENT MADE. THIS WAS OF ACADEMIC INTEREST TO ALCOA WHICH DOES NOT PLAN ANY ADDITIONAL INVESTMENT

4. ON ICSID, ROUSSEAU SAID THE GOJ WAS VERY MUCH DISTURBED AND WANTED ALCOA TO DROP THE SUIT BEFORE ANY SETTLEMENT WOULD BE MADE. THERE HAVE BEEN PREVIOUS INDICATIONS GOJ MIGHT INSIST ON THIS AS A PRECONDITION FOR NEGOTIATIONS. THIS WAS NOT NOW ACCEPTABLE TO ALCOA, BUT CROUCH THOUGHT THERE WOULD EVENTUALLY BE AN AGREEMENT THAT THE SUIT WOULD BE DROPPED. CROUCH SAID NO FORMAL REPLY TO ALCOA'S REQUEST FOR A REDUCTION IN THE LEVY HAD BEEN RECEIVED. HOWEVER, HE UNDERSTOOD INFORMALLY THAT THE ANSWER WAS NO, MAINLY BECAUSE OF THE ICSID SUIT

5. ROUSSEAU SAID ESTABLISHMENT OF A "BAUXITE INSTITUTE" HAD BEEN APPROVED AT CABINET LEVEL. THE INSTITUTE WOULD HAVE AUTHORITY OVER THE ENTIRE RANGE OF BAUXITE OPERATIONS, INCLUDING WORK PERMITS. HE SUGGESTED IT MIGHT EVENTUALLY NEED OFFICE SPACE THE SIZE OF THE PEGASUS HOTE), ITS OWN LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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TRANSPORTATION, I.E., JETS, ETC. ROUSSEAU CONCLUDED BY STATING THAT THE PUBLIC RELATIONS OF THE BAUXITE INDUSTRY WERE VERY BAD.

6. DISCUSSION ALSO INCLUDED WIDE RANGE OF ITEMS INCLUDING SHIPPING, INSURANCE, NEED FOR PRODUCTIVITY, FRINGE BENEFITS FOR UNIONS, WORK PERMIT PROBLEMS, ETC. ALCOA APPROACH REFLECTED CROUCH'S SUGGESTIONS TO HIS HOME OFFICE; WHICH WERE BASED ON DISCUSSIONS AMONG LOCAL ALCOA OFFICIALS. COPY OF CROUCH LETTER AND ATTACHMENTS WILL BE POUCHED. GERARD UNQUOTE KISSINGER

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<< END OF DOCUMENT >>

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